

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY STOCKHOLM
INFO AMEMBASSY PARIS
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C O N F I D E N T I A L STATE 161287

USOECD, EXCON

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM

SUBJECT: SWEDISH THREE AXES MACHINE TOOL LICENSING
CONTRACT

REF: STOCKHOLM 2467

BACKGROUND

1. BASED ON REPORTS BY U.S. AND OTHER WESTERN BUSINESSMEN
THAT THE SWEDISH FIRM ASEA HAD ENTERED INTO A CONTRACT TO
SUPPLY THREE-AXIS COMPUTER NUMERICAL CONTROLLED (CNC)
SYSTEMS AND TECHNOLOGY TO POLAND--AN ACTION DEEMED INJURI-
OUS TO COCOM CONTROLS ON THIS ITEM--THE DEPARTMENT SENT A
TEAM OF EXPERTS TO SWEDEN IN MAY 1977 TO DISCUSS ,ARTICU-
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LARS OF THE CONTRACT WITH ASEA OFFICIALS. THE VISIT WAS
FOR THE PURPOSE OF FINDING OUT AS MUCH DETAIL AS POSSIBLE
ABOUT THE SPECIFICS OF THE SWEDISH-POLISH AGREEMENT, AS
WELL AS POINTING OUT TO ASEA THAT THIS ACTION WOULD ERODE
CURRENT COCOM RESTRICTIONS ON SALES OF THESE ITEMS BY
WESTERN COCOM MEMBERS. OUR APPROACH TO ASEA WAS BASED ON
THE CONTRIBUTION THIS HARDWARE AND TECHNOLOGY COULD MAKE

TO POLISH OR OTHER COMMUNIST PRODUCTION WHERE HIGHLY ACCURATE, DEPENDABLE AND EFFICIENT MACHINING OF METAL PARTS COULD ENHANCE PRODUCTION OF MILITARY GOODS DETRIMENTAL TO THE SECURITY OF THE WEST.

2. DISCUSSIONS WITH ASEA, ALTHOUGH GUARDED, WERE CONGENIAL AND COOPERATIVE. ALTHOUGH WE KNEW ASEA PROCURES PARTS FROM THE U.S. FOR COMPONENTS USED IN THE NC SYSTEMS, THE U.S. TEAM DID NOT THREATEN TO TERMINATE THEIR SUPPLY; RATHER WE HAD HOPED THAT ASEA WOULD UNDERSTAND THE SIGNIFICANCE OF THE PROBLEM AND VOLUNTARILY LIMIT THE SCOPE OF THE CONTRACT. IT WAS AGREED AT THE MEETING THAT THE U.S. TEAM WOULD PROVIDE SOME GUIDANCE AS TO HOW THE TRANSACTION MIGHT BE LIMITED IN ORDER TO DO THE LEAST DAMAGE TO EXISTING COCOM EMBARGO CONTROLS. THE PRESUMPTION WAS THAT ASEA MIGHT BE ABLE TO LIMIT PRIMARILY THE EXTENT OF SOFTWARE AND TECHNOLOGY TRANSFER, WHICH HAD NOT YET BEEN SETTLED WITH THE POLES. NO GOS OFFICIAL WAS PRESENT AT THE MEETING. END BACKGROUND

2. LATE LAST WEEK, FOLLOWING CLOSELY UPON THE VISIT OF THE SWEDISH FOREIGN MINISTER TO WASHINGTON, THE SWEDISH EMBASSY INFORMED THE DEPARTMENT THAT OUR APPROACH TO ASEA HAD RESULTED IN A "VERY STRONG REACTION, WITHIN THE GOS AND THAT BOTH THE SWEDISH GOVERNMENT AND ASEA "CONSIDERED THE MATTER CLOSED". WE RESPONDED THAT IT WOULD BE CONFIDENTIAL

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DISCOURTEOUS NOT TO BE RESPONSIVE TO WHAT THE U.S. TEAM AND ASEA HAD MUTUALLY AGREED UPON. THE SWEDISH EMBASSY REPRESENTATIVE THEREUPON ASKED HIS GOVERNMENT FOR INSTRUCTIONS AND SUBSEQUENTLY TOLD US THERE WAS NO OUTSTANDING ASEA REQUEST FOR FURTHER INFORMATION. HENCE THERE IS TO BE NO ADDITIONAL INFORMATION SUPPLIED AND THE SWEDES HAVE CLOSED THE DOOR ON THIS ISSUE.

4. WHILE WE REGRET THAT THE SWEDISH GOVERNMENT CONSTRUED OUR APPROACH TO ASEA AS AN UNWELCOMED INTRUSION INTO WHAT THEY CONSIDER TO BE A SWEDISH-POLISH TRADE MATTER, OUR EXCHANGE OF VIEWS WITH ASEA GAVE THE U.S. AN OPPORTUNITY TO LEARN MORE ABOUT THE TRANSACTION AND TO INDICATE FIRST HAND TO ASEA AREAS OF GREATEST U.S. CONCERN IN OUR MULTILATERAL CONTROLS TO COMMUNIST COUNTRIES. WE ARE PRESENTLY REVIEWING WHAT, IF ANY ACTION SHOULD BE TAKEN WITH REGARD TO THE SUPPLY OF U.S. PARTS AND COMPONENTS TO ASEA FOR THIS PROJECT. MEANWHILE, THE DEPARTMENT WOULD APPRECIATE EMBASSY'S REACTION TO GOS'S SUDDEN NEGATIVE ATTITUDE TO U.S. APPROACH TO ASEA, GIVEN FACT THAT ASEA GAVE U.S. TEAM IMPRESSION IT WAS WILLING TO COOPERATE. VANCE

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Disposition History: n/a
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